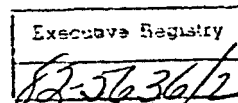


DDI-16845/82



24 August 1982

MEMORANDUM FOR: *Acting* Deputy Director of Central Intelligence

FROM : Deputy Director for Intelligence

SUBJECT : DCI Memo on Semi-Annual PFIAB Report

1. You have asked for ideas on how to conduct an independent analysis on the Soviet economy as suggested by the PFIAB and forwarded to you by the DCI.

2. There are several possible avenues of approach, but each must be considered in light of the fact that at the same time successive U.S. administrations and DCIs were whittling away at CIA's analytical capability on the Soviet economy, there was no effort undertaken to build either parallel or complementary or competitive capabilities elsewhere in the government. Simultaneously, there has been a significant deterioration in the Soviet economic field in the academic community with the result that while there are a few individuals who are excellent on the Soviet economy, there are only one or two institutes, departments, or private think-tanks with a capability comprehensive to assess the Soviet economy.

3. Even so, there are some alternatives that could be identified in response to PFIAB. They include:

- DIA. While specialists on the Soviet economy in CIA have very mixed regard (with an emphasis on the negative) for DIA's capability on the Soviet economy, the fact is they devote resources to it and in the U.S. Government offer the only possible competitive analysis.
- Elements of the competitive analysis could be orchestrated by the NSC Staff and farmed out to cleared individual scholars such as Gregory Grossman at Berkley, Vlad Tremyl at North Carolina, and so on for preparation with the whole being put together by the NSC Staff.
- The National Council for Soviet and East European Studies last year held a conference of leading Soviet scholars at Airlie House which resulted in a series of papers on "The Soviet Economy To the Year 2000." This is an unclassified series of papers in being on which an administration could draw for competitive analysis.

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- Two even more ambitious unclassified projects on this topic currently are underway at Georgetown Center for Strategic International Studies and at the Council on Foreign Relations in New York. Together they are sponsoring some 30 to 40 papers and several book-length studies. The Georgetown study is much farther along and we have already seen several chapters which will be part of the study summarizing the group's findings which are due out in early 1983.
- Wharton Econometric Forecasting Associates makes projections of Soviet economic growth based on their econometric model of the Soviet economy—the only large-scale such model apart from our own. While there are significant differences in the structure of the two models, Wharton's projections of Soviet growth during the 80s are quite close to our own.
- The DCI might also ask his own Military Economic Advisory Panel to undertake this study. The Panel is comprised of some of the foremost economists and political scientists in the Soviet field. Moreover, it is intimately familiar with the Agency's work on the Soviet economy—both strengths and weaknesses—and could begin work fairly quickly. Because a thorough job based on classified materials would require organizing and clearing a group of specialists and thus would take at least a year to start from scratch, the MEAP offers the advantage of already existing as a corporate entity, having good working relationships in CIA, having clearances, and being familiar with much of the intelligence information. Given the importance of the subject and the fact that we are aiming for a late 1982 publishing date for our own assessment of Soviet economic trends and their implications, any competitive analysis not being available for more than a year or two would not seem to meet the need identified by PFIAB. It may be that the quickest way to obtain a competitive analysis would be for the MEAP itself to perform a detailed critique of the draft DDI paper. This probably could be completed within a month after our own draft is done. In fact, this critique already is planned and could be converted into a memo to the DCI.


4. The PFIAB must understand that there is now no parallel capability to CIA's in the Soviet economic sphere in the U.S. Government. It is one of those divisions of labor for financial reasons that was made more than a generation ago. Creating an identical capability in DIA, INR or elsewhere may not be the best use of the taxpayers' money. My own view is that the long-term need expressed by PFIAB is best met by a combination of the following:

- continued support for CIA's efforts to rebuild its effort on the Soviet economy (as noted in their report);

- the use of various panels, commissions, and organizations of cleared individuals (including the PFIAB subcommittees themselves) to challenge and question CIA assumptions, judgments, and conclusions. This could include bringing in special consultants through MEAP and other forums under the auspices of the DCI to critique our work and make us defend it.

5. Part of the reason I come out this way is my belief that DIA and we would be in very close agreement in our view that, while the Soviet economy faces a number of problems which are quite serious, it is an economy with enormous latent strength and resilience; it is an economy that is still growing, albeit at a slower rate; and there is no evidence to suggest that their economic troubles are having any impact on their military program. To develop either inside or outside the government a competitive analytic capability that could assess specific aspects of the Soviet economy as they relate to U.S. policy measures—whether they be sanctions, incentives, or other—would take years and cost considerable money. Given the alternatives available for checking and rechecking CIA's conclusions, I question the value of this approach.

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Robert M. Gates

DDI/RMGates(23 Aug 82)

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